The Importance of Corporate Social Responsibility in the Brand Image

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Abstract

Objectives:

In this paper the authors intend to analyse the links between CSR and the consumer behaviour through a survey undertaken in a sample of Portuguese consumers. The “Delta Cafés” Case is analysed and included in the survey questions, since it is a very well known brand amongst Portuguese consumers. In order to validate the survey a structured equations model was applied.

Methods:

The structural equations model proposed establishes the relationship between Corporate Social Responsibility practices and the following constructs: brand image, identity salience, brand loyalty and willingness in paying a higher price (premium price) for a product or service from an organization that is perceived as socially responsible. Data collection for the model estimation was done through a consumer survey using the scales of social responsibility of Roberts (1996), scales of identity salience from Marin et. al. (2009), scales of loyalty from Yoo and Donthu (2001), scales of price premium from Chauduri e Halbrook (2001) and scales of brand image from Netemeyer, et. al (2004). 140 valid surveys were collected.

Results:

The research hypotheses were mostly confirmed except the influence of identity salience in the behavioral aspects of consumers.

Conclusions:

The policies of corporate social responsibility of the company “Delta Café” has positive influences on brand image. The positive associations that consumers have the brand image causes these behaviors are loyal and willing to pay more for the brand.
Introduction

The importance of Corporate Social Responsibility can be demonstrated in consumer behaviour. In a market where competition between brands is very strong, companies that bet on social responsibility policies can benefit when consumers perceive the brand as socially responsible behaviour through fair and willingness to pay a higher price for the brand. Part of the evaluation of the company by consumers is made with the construction of an identity. The social responsibility policies can serve to make more salient that identity. On the other hand, created the identity of the responsible company, brand image, consumer loyalty and willingness to pay a higher price may come out strengthened, making it more effective communication policy of any company in this regard.

The "Delta Cafés" is a brand with a strong identity in Portugal. Being a company that bet on social responsibility policies, the question arises to what extent consumers perceive the brand image and how this influences their behaviour.

Corporate Social Responsibility

For some decades now research on the role and responsibilities of business in society has been searching for the business case for corporate social responsibility (CSR). The proliferation of studies on the relationship between corporate social performance and economic bottom line is the result of different shifts in the academic debate. On the one side, in terms of the level of analysis, research has gradually moved from a focus on the macro-social effects of CSR to organizational-level analysis of CSR effects on firm behaviour and performance. On the other, in terms of theoretical orientation, researchers have moved from explicitly normative and ethics-oriented studies to implicitly normative and performance-oriented analysis (Castaldo et al, 2009).

Looking backward at the empirical research undertaken in the last few years, the business case for social responsibility and the related link between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP) remain the most controversial areas in the business-in-society field (Barnett, 2007).

Though different in their approaches to CSP definition and measurement, existing studies tend to share an often unstated assumption: The stronger the firm’s involvement in CSR programs and activities, the higher the economic and financial value firms will be able to obtain. However, a substantial inconsistency in the results obtained emerges, in terms of both existence and direction of the correlation between the constructs (Margolis and Walsh, 2003; Orlitzky et al., 2003; Salzmann, Ionescu-Somers, and Steger, 2005).

Reviewing the literature about CSR, CSP and CFP, some questions arise: Do consumers understand the efforts made by businesses regarding their social and ethical campaigns? And if so, are consumers willing to pay a higher price for the products and services resulting from these social and ethical campaigns? Are consumers loyal to these businesses?

In this paper the authors intend to analyse the links between CSR and the consumer behaviour through a survey undertaken in a sample of Portuguese consumers. The “Delta Cafés” Case is analysed and included in the survey questions, since it is a very well known brand amongst Portuguese consumers. In order to validate the survey a structured equations model was applied.
There are some studies that show that consumers are influenced by CSR (Smith, 2003), although there aren’t enough empiric research that support these conclusions (Bhattacharya and Sen, 2004; Castaldo and Perrini, 2004; Perrine et. al. (2006)).

If the impact of CSR on consumers was universal and meaningful, there should be a clear identifiable impact in the bottom-line of social responsible businesses (Castaldo et al., 2009). These authors argue that CSR has an impact on consumer buying decisions if the product that a specific organisation is selling has implied an ethical proposal and shows a commitment in the protecting consumer interests.

In a rational view point if stakeholders realise that an organisation is social responsible they will give it their preference. On the supply side, social responsible organizations manage to attract and retain consumers and are able to charge a premium price for their products (Barnett, 2007). There are several studies that defend the idea that consumers are willing to pay a premium price for products that derive from businesses that are social responsible, although, they cannot link consumer perceptions with buying behaviour (Page and Fearn, 2005). Also, Boulstridge and Carrigan (2000) defend that there is a difference between consumer attitude and consumer behaviour, this is, although consumers are willing to pay a higher price for a product of a Social Responsible organisation, this is not a criteria consumers will use when shopping.

Identity Salience, Brand Image, Loyalty and Price Premium

Nowadays, businesses use the brand to create and communicate their identity, building their image. Brand image a successful brand is a valuable business asset because consumers identify products and services though the respective brands. Brands provide the basis to business positioning and differentiation. Brand image creates associations that lead to positive attitudes and feelings that are transferred to the business. Furthermore, a strong brand image allows the creation of new products and services because of the synergetic effects that derive from that.

There are different viewpoints and different definitions of brand image. Differences reside basically at an abstract level in which the image is created in the consumer mind. Furthermore, there are also different theories for the construction of the brand image. Some of these theories include associations with the product (Keller, 1998), while others take in consideration associations related to the business (Biel, 1993), or the country of origin, or the user image (Aaker, 1996). Initially it was Levy (1959) who conceptualised the concept of brand image. He suggests that products have social and psychological attributes and, as such, consumers develop emotional connections with the brands. For Plummer (1985), the image process formation initiates through the gathering of intrinsic and extrinsic attributes, benefits and consequences that are associated with the brand. According to Faircloth et. al. (2001), the brand image is a holistic perspective built by all the associations made with the brand. For Ruão (2003), brand image is build by the interaction between the brand and its stakeholders. Following this perspective, Ballantyne et. al. (2006), define brand image as the consumers perception about the brand.

Brand image refers to a holistic perspective of the brand, and highlights the mental representations that the individual has about the product or service. As such, it will guide a future development of a possible bound between consumers and organizations, not only at an emotional level, but also at a behavioural level, that has its highest expression through consumer loyalty, and on the willingness of the consumer in paying a premium price.

There are various authors that consider that the most desirable result of Marketing efforts is a loyal consumer (Chaudhuri, 1999; Mittal and Lassar, 1998; Strauss and Friege, 1999). The
consequences of consumer loyalty are a lesser sensibility to price increases, a bigger effectiveness in the application of Marketing instruments and better business results.

The most complete definition of consumer loyalty is given by Jacoby and Chestnut (1978) that sustain that brand loyalty represents the non random repetition of the buying behaviour of the same brand or group of brands, from an individual with buying decision. There are some divergences amongst the scholars regarding the concept of brand loyalty. Some consider that loyalty results from behaviour, some consider that loyalty is an attitude (Odin et. al. 2001). The first concerns the buying behaviour through a period of time, the other is associated to positive attitudes towards the brand.

Price premium has been studied by several authors, namely, Holbrook (1992), Kamakura and Russell (1993), Park and Srinivasan (1994), Netemeyer et. al. (2004), Rao and Monroe (1989). At the Marketing level one may consider that the availability of a consumer to pay a price premium is defined by the amount that he is willing to pay for his favourite brand when compared with a brand less similar product. For Aaker (1996), premium price is a strong indicator of brand loyalty. For Louro (2000), price premium is a basic criterion of brand loyalty and indicates how much the buyer is willing to pay for the brand, when compared with other similar brands.

Identity salience represents one of the ways, and a theoretically most important way, that the identities making up the self can be organized (Marin et.al., 2009). Identities, that is, are conceived as being organized into a salience hierarchy. This hierarchical organization of identities is defined by the probabilities of each of the various identities within it being brought into play in a given situation. Alternatively, it is defined by the probabilities each of the identities have of being invoked across a variety of situations. The location of an identity in this hierarchy is, by definition, its salience. The identification of a consumer with a company is associated with the feeling of belonging to the same social group.

**Conceptual Framework and Hypotheses**

The structural equations model proposed (refer to figure 1) establishes the relationship between Corporate Social Responsibility practices and the following constructs: brand image, brand loyalty and willingness in paying a higher price (premium price) for a product or service from an organization that is perceived as socially responsible.

![Conceptual Framework](image-url)
In order to verify the different paths that link corporate social responsibility practices and consumer behaviour, the authors present and test several hypotheses. First, it is examined the link between corporate social responsibility and brand image, second the link between CSR and brand loyalty, and thirdly the link between CSR and willingness to pay a premium price. The authors also investigate the relationships between brand image and brand loyalty, and brand image and willingness in paying a premium price. The relationship between brand loyalty and willingness in paying a premium price is also analyzed.

The authors also introduced a moderator variable in order to provide additional information to help understand further the relationship between CSR and consumer behaviour. This moderate construct, namely Identity Salience (IS) is used in all the previous established relationships.

The authors present the research hypotheses raised and a brief explanation in each of them.

**H1:** *Corporate Social Responsibility practices have a positive direct impact on the brand image of organizations (γ11 >0)*

If consumers understand that an organization practices CSR in a regular basis, then this will have an overall positive effect in their brand image.

**H2:** *Corporate Social Responsibility practices have a positive direct impact on the brand loyalty of organizations (γ12 >0)*

Using the same reasoning as the previous research hypothesis, if consumers understand that and organization practices CSR then these will have an overall positive effect in brand loyalty.

**H3:** *Corporate Social Responsibility practices have a positive direct impact on the willingness in paying a premium price for products and services (γ13 >0)*

This hypothesis evaluates consumer behaviour regarding the willingness in paying a higher price for a product or service, if these products are from organizations that practice CSR activities.

**H4:** *A brand image based on a company’s CSR activities helps increase brand loyalty of organizations (β11 >0)*

A consumer who has made a good image of a socially responsible company is someone who is predisposed to repeat purchase.

**H5:** *A brand image based on a company’s CSR activities helps increase the willingness in paying a premium price for products and services (β21 >0)*

Similar to the previous hypothesis, the willingness to pay a higher price increases when the consumer has a good business image.

**H6:** *The brand loyalty based on a brand image of a company that is perceived as socially responsible helps to increase the willingness in paying a premium price for products and services (β31 >0)*
As brand loyalty and willingness to pay a price premium are two behavioral constructs, it is important to know if there is any interrelation between them. In this case is to find out if a loyal consumer is willing to pay more for brand.

**H7:** The identity salience may affect de CRS ($\alpha_{11} > 0$) and for this affect positive the

**H7a:** Brand Image ($\alpha_{12} > 0$)

**H7b:** Brand Loyalty ($\alpha_{13} > 0$)

**H7c:** Premium Price ($\alpha_{14} > 0$)

The salience of the brand identity is indicative of a positive attitude on the part of consumers and thus affect the brand image, loyalty and willingness to pay a price premium, and thus as a moderator construct that may serve to explain the discrepancies in the behavior of individuals.

### Measures

The need to maintain consistency with previous studies made previously validated scales was used in the literature. Data collection for the model estimation was done through a consumer survey using the scales of social responsibility of Roberts (1996), scales of identity salience from Marin et. al. (2009), scales of loyalty from Yoo and Donthu (2001), scales of price premium from Chauduri and Halbrook (2001) and scales of brand image from Netemeyer, et. al (2004).

Ensured the reliability and validity of the measures through confirmatory factor analysis considering the different constructs and their items. The final measurement model provides a good fit to the data according to various fit statistics.

#### Table 1 – Confirmatory Factor Analysis

<table>
<thead>
<tr>
<th>Construct</th>
<th>Item</th>
<th>Convergent Validity</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Factor Loading</td>
<td>Loading Average</td>
</tr>
<tr>
<td>CSR</td>
<td>CRS1</td>
<td>0,78*</td>
<td>0,79</td>
</tr>
<tr>
<td></td>
<td>CRS2</td>
<td>0,77*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CRS3</td>
<td>0,81*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CRS4</td>
<td>0,82*</td>
<td></td>
</tr>
<tr>
<td>Brand Image</td>
<td>BI1</td>
<td>0,79*</td>
<td>0,81</td>
</tr>
<tr>
<td></td>
<td>BI2</td>
<td>0,83*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BI3</td>
<td>0,84*</td>
<td></td>
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<tr>
<td></td>
<td>BI4</td>
<td>0,81*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BI5</td>
<td>0,82*</td>
<td></td>
</tr>
<tr>
<td>Brand Loyalty</td>
<td>BL1</td>
<td>0,78*</td>
<td>0,78</td>
</tr>
</tbody>
</table>
The sample size \((n = 250)\) were made using the \(\chi^2\) adjusted and indicators of adjustment Bentler-Bonnet normed fit index (BBNFI), confirmatory fit index (CFI) and root mean squared error of approximation (RMSEA) confirm that the model offers good global fit because all the indicators exceed the values found critics pointed out by Hair et. al. (2006).

The results also allow for complete internal consistency. The Cronbach’s alphas exceed 0,70, as Nunnally and Bernstein (1994) recommend. The composite reliability of each factor is greater than 0,60 (Bagozzi and Yi, 1988) and the average variance extracted (AVE) exceed 0,50 (Fornell and Larcker, 1981).

The results presented by confirmatory factor analysis also indicate, in terms of convergent validity that the relationships between items and constructs are significant \((* \ p < 0,05)\), all standardized loading are greater than 0,60 (Bagozzi and Yi, 1988) and the averages of the item-to-factor loadings are greater than 0,70 (Hair et. al., 2006).

**Estimation Results**

Internal consistency of scales of the results allowed the estimation of the structural model. The model was estimated using the covariance matrix. The statistical software program used was the STATISTICA 6.1. which allowed to calculate the variance and covariance (data) matrices and the estimation of the structural model. The estimation is undertaken by the method of maximum likelihood, since the objective is to develop and test the theory of brand image of social responsible organizations affect the behaviours of loyalty and willingness to pay a higher price, and also taking into account the possible influence of identity salience in the constructs we considered.

The indicators chosen to analyze the goodness of the adjustment are those suggested by Hair et. al. (2006) as the best indicators of absolute and normalized chi-square, RMSEA (Root Mean Square Error of Approximation) and GFI (Goodness-of-Fit). The Chi-Squared Normalized
presents acceptable values when they are between 1 to 3 (Hair, et. al., 2006). It used the RMSEA (Root Mean Square Error of Approximation) instead of RMSSR (Root Mean Square Residual) because the models are estimated based on the covariance matrix of the data. This indicator should be situated between the values ranging from 0.05 (good fit) to 0.08 (adjusted acceptable). GFI (Goodness-of-Fit) is an index of the goodness of the adjustment that represents the total degree of adjustment without a correction for degree of freedom models. High values of this indicator show a good fit, but they are not set minimum acceptable levels.

Table 2 – Structural Equation Model Results

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Parameter</th>
<th>Estimate</th>
<th>p-Value</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Social Responsibility → Brand Image (+)</td>
<td>𝛾_{11}</td>
<td>0.234</td>
<td>0.001</td>
<td>Supported</td>
</tr>
<tr>
<td>Corporate Social Responsibility → Brand loyalty (+)</td>
<td>𝛾_{12}</td>
<td>0.123</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Corporate Social Responsibility → Premium Price (+)</td>
<td>𝛾_{13}</td>
<td>0.114</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Brand Image → Brand Loyalty (+)</td>
<td>𝛽_{11}</td>
<td>0.345</td>
<td>0.001</td>
<td>Supported</td>
</tr>
<tr>
<td>Brand Image → Premium Price (+)</td>
<td>𝛽_{21}</td>
<td>0.265</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Brand Loyalty → Premium Price (+)</td>
<td>𝛽_{31}</td>
<td>0.023</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Identity Salience → CSR (+)</td>
<td>α_{11}</td>
<td>0.342</td>
<td>0.001</td>
<td>Supported</td>
</tr>
<tr>
<td>Identity Salience → Brand Image (+)</td>
<td>α_{12}</td>
<td>0.132</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Identity Salience → Brand Loyalty (+)</td>
<td>α_{13}</td>
<td>0.032</td>
<td>0.123</td>
<td>Don’t Supported</td>
</tr>
<tr>
<td>Identity Salience → Premium Price (+)</td>
<td>α_{14}</td>
<td>0.012</td>
<td>0.672</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Adjustment Fit

<table>
<thead>
<tr>
<th></th>
<th>2.1</th>
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<tbody>
<tr>
<td>🇯最先进的 Normalized</td>
<td>2.1</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.066</td>
</tr>
<tr>
<td>GFI</td>
<td>0.827</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.789</td>
</tr>
</tbody>
</table>

All hypotheses were confirmed except that hypothesis H7b and H7c.

Conclusions and Future Research

Increasingly, companies need compelling alternatives that enhance the symbolic value of brands. By the results it appears that a policy of corporate social responsibility can be that alternative. Consumers tend to prefer companies and brands that advocate an active policy of social responsibility.

The association of social responsibility to the brand image leads to the same consumers develop certain behavioural attitudes. By analyzing the results it appears that these positive attitudes make consumers more loyal and more willing to pay a premium price for the brand.
Moreover, consumers aspire to be more participatory in their dealings with companies that are associated with social responsibility. This note is to verify that the salience of identity is important in the impacts of policies of social responsibility and brand image. The salience of identity becomes important to translate the way consumers see themselves. Thus, social identities turn out to have an impact on consumer attitudes. The attitudes are reflected in how they view the company’s image. When the identity of the company is attractive and salient, consumers more easily gather information about it. Thus, the salience of identity may induce attitudes and behaviours consistent with how consumers see themselves.

The results indicate that the salience of identity influence the attitudes of consumers but did not confirm the impact of their behaviour, here translated in loyalty and willingness to pay a higher price for the brand.

The results of studies point to the need for companies to gamble more on social responsibility policies, as these help to create the company image, and leading to consumers more loyal and willing to pay higher prices.

Future work attempted to analyze the importance of communication of social responsibility policies are more efficient and are aimed at an audience, that is, for consumers who identify with this policy.

References


